

**ILLINOIS COMMERCE COMMISSION**

**DOCKET No. 13-0527**

**SUPPLEMENTAL DIRECT TESTIMONY**

**OF**

**DOMINIC S. PERNICIARO**

**Submitted On Behalf**

**Of**

**AMEREN ILLINOIS COMPANY  
d/b/a Ameren Illinois**

**November 12, 2014**

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8    **I.     INTRODUCTION**

9    **Q.     Please state your name and business address.**

10   A.     My name is Dominic S. Perniciaro. My business address is 1901 Chouteau  
11   Avenue, St. Louis, Missouri 63103.

12   **Q.     By whom are you employed and in what capacity?**

13   A.     I am the Supervisor of Power Accounting for Ameren Services Company, a  
14   service company affiliate of Ameren Illinois Company d/b/a Ameren Illinois ("AIC" or  
15   the "Company").

16   **Q.     Are you the same Dominic S. Perniciaro who previously sponsored Direct**  
17   **Testimony in this proceeding?**

18   A.     Yes, I am.

19   **Q.     What is the purpose of your supplemental direct testimony?**

20   A.     The purpose of this testimony is to explain a recently discovered accounting error  
21   concerning the Company Use of electricity for its facilities, modify my previously filed  
22   exhibits, and its effect on an ordered reconciliation component within Factor A of Rider

23 PER – Purchased Electricity Recovery (“Rider PER”) and Rider HSS – Hourly Supply  
24 Service (“Rider HSS”). Factor A is an “Adjustment” component within the riders that  
25 states:

26 “Adjustment, in dollars, equal to an amount (a) ordered by the ICC or  
27 (b) determined by the Company, after discussion with the Staff, that is to  
28 be refunded to or collected from Customers to correct for accounting  
29 errors associated with the computation of previously applied adjustments  
30 under this Rider. Such amount includes interest charged at the rate  
31 established by the ICC in accordance with 83 Ill. Adm. Code  
32 280.70(e)(1). Such interest is calculated for the period of time beginning  
33 on the first day of the Effective Period during which such adjustment  
34 was applied and extending through the day prior to the start of the  
35 Effective Period in which the A is applied. Such amount may be  
36 amortized over multiple Effective Periods with interest.”

37 **Q. Will you be sponsoring any exhibits in support of your testimony?**

38 A. Yes. I am sponsoring the following exhibits:

- 39 • Ameren Exhibit 4.01: Company Use Detail
- 40 • Ameren Exhibit 4.02: Revised Rate Zone I Rider PER/HSS  
41 reconciliation of costs and revenues for the period ending May 31, 2012
- 42 • Ameren Exhibit 4.03: Revised Rate Zone II Rider PER/HSS  
43 reconciliation of costs and revenues for the period ending May 31, 2012
- 44 • Ameren Exhibit 4.04: Revised Rate Zone III Rider PER/HSS  
45 reconciliation of costs and revenues for the period ending May 31, 2012
- 46 • Ameren Exhibit 4.05: Company Use Interest Calculation
- 47 • Ameren Exhibit 4.06: Pro-forma Rider PER Work Papers

48 **Q. Please describe in detail the exhibits you are sponsoring.**

49 A. Ameren Exhibit 4.01 is a summary of details for the Company Use accounts from  
50 the AIC customer billing system. Ameren Exhibits 4.02, 4.03 and 4.04 are revisions to  
51 Ameren Exhibits 3.07, 3.08, and 3.09, respectively, and summarize the Company’s total

allowable costs over the twelve-month reconciliation period ending May 31, 2012 under Riders PER and HSS and the Factor A requested by AIC based upon the proposed adjustments. Ameren Exhibit 4.05 is the calculation of the interest for the Company Use issue. Ameren Exhibit 4.06 is a pro-forma work paper being proposed to reduce the impact to customer rates until the Factor A in each docket for this issue is ordered.

**II. COMPANY USE OF ELECTRICITY**

**Q. Please summarize the issue.**

A. AIC's Rider PER and HSS customers benefitted from recording the impact of Company Use (power used by its own facilities) twice in the over/under calculation, resulting in AIC under-recovering its recoverable costs.

**Q. How does Company Use normally affect Rider PER or Rider HSS?**

A. AIC purchases power for all customers, including power supplied for Company Use. Similar to the process used in the Purchased Gas Adjustment rider, the total amount of power purchased is reduced by the cost associated with Company Use. This reduction occurred in the "Recoverable Costs" line of the annual reconciliation. The remaining balance of purchased electricity is then recovered through Rider PER. The Company Use amount is recovered separately through general Delivery Service rate case proceedings.

**Q. The above answer demonstrates how Rider PER and HSS customers are properly credited for the Company Use costs included in the Rider PER over/under calculation the first time. How did these customers benefit a second time?**

A. When Riders PER and HSS (and their predecessors Riders MV and RTP-L) were designed, Company Use bills were created in customer billing system to better track the

amount of electricity used by AIC and to substantiate future amounts of Company Use expense collected in Delivery Service rate cases. These revenues used customer revenue accounting that was credited to FERC Account 442. This resulted in the Company Use revenue being included in the “Revenues” line of the annual reconciliation. The inclusion of this revenue prevented AIC from recovering its true recoverable costs from the Riders PER and HSS customers.

**Q. How much is the under recovery?**

A. Table 1 below indicates the amount of recoverable costs not recovered by AIC:

**Table 1**

Amount By Reconciliation Year	PER			Total	
	Rate Zone I	Rate Zone II	Rate Zone III		
June 2014 - September 2014	70,252.19	19,204.38	55,996.37	145,452.94	
June 2013 - May 2014	353,214.80	237,561.95	586,194.70	1,176,971.45	
June 2012 - May 2013	406,899.16	283,555.99	705,324.69	1,395,779.84	
June 2011 - May 2012	447,939.69	292,785.12	655,895.42	1,396,620.23	
June 2010 - May 2011	501,516.91	342,976.98	799,942.24	1,644,436.13	
June 2009 - May 2010	579,165.26	682,529.89	1,385,414.31	2,647,109.46	
June 2008 - May 2009	715,218.45	1,060,416.61	2,240,320.02	4,015,955.08	
June 2007 - May 2008	718,579.15	1,056,505.92	2,194,289.43	3,969,374.50	
January 2007 - May 2007	290,841.72	381,164.61	921,822.88	1,593,829.21	
	<b>4,083,627.33</b>	<b>4,356,701.45</b>	<b>9,545,200.06</b>	<b>17,985,528.84</b>	

  

Amount By Reconciliation Year	HSS			Total	Grand Total
	Rate Zone I	Rate Zone II	Rate Zone III		
June 2014 - September 2014	12,699.62	141,688.38	225,963.53	380,351.53	525,804.47
June 2013 - May 2014	693.13	291,877.51	634,760.75	927,331.39	2,104,302.84
June 2012 - May 2013	556.26	241,188.64	459,329.58	701,074.48	2,096,854.32
June 2011 - May 2012	828.18	261,512.39	487,908.97	750,249.54	2,146,869.77
June 2010 - May 2011	573.71	287,867.82	578,410.52	866,852.05	2,511,288.18
June 2009 - May 2010	158.64	88,771.72	298,231.50	387,161.86	3,034,271.32
June 2008 - May 2009	-	-	-	-	4,015,955.08
June 2007 - May 2008	-	-	-	-	3,969,374.50
January 2007 - May 2007	-	-	-	-	1,593,829.21
	<b>15,509.54</b>	<b>1,312,906.46</b>	<b>2,684,604.85</b>	<b>4,013,020.85</b>	<b>21,998,549.69</b>

Cumulatively, AIC has under-recovered \$17,985,829 from Rider PER customers and \$4,013,021 from Rider HSS customers prior to the calculation of interest. Based on the interest calculation method prescribed by the tariff and as previously administered, an additional \$578,560 would be due to AIC.

### III. PROPOSED REMEDY

#### Q. How does AIC propose to correct for the under recovery?

A. AIC is requesting Factor A adjustments in open and future dockets. The 2014 amounts will be corrected in the general ledger to correct financial and regulatory reporting for 2014. AIC is asking for a Factor A adjustment of \$17,271,588 in this docket, Docket No.13-0527. In Docket No. 14-0568, AIC will request a Factor A adjustment in the amount of \$2,096,854. Once the docket for June 2013 through May 2014 is initiated, AIC will request a Factor A adjustment of \$988,550.

**Table 2**

Recommendation By Docket	PER			Total
	Rate Zone I	Rate Zone II	Rate Zone III	
Current Year (January 2014 - September 2014)	263,485.37	149,314.78	331,526.18	744,326.33
Future Docket (June 2013 - December 2013)	159,981.62	107,451.55	310,664.89	578,098.06
14-0568 (June 2012 - May 2013)	406,899.16	283,555.99	705,324.69	1,395,779.84
13-0527 (June 2011 - May 2012)	447,939.69	292,785.12	655,895.42	1,396,620.23
13-0527 (January 2007 - May 2011)	2,805,321.49	3,523,594.01	7,541,788.88	13,870,704.38
	<b>4,083,627.33</b>	<b>4,356,701.45</b>	<b>9,545,200.06</b>	<b>17,985,528.84</b>

Recommendation By Docket	HSS			Total	Grand Total
	Rate Zone I	Rate Zone II	Rate Zone III		
Current Year (January 2014 - September 2014)	13,094.85	284,555.59	599,580.96	897,231.40	1,641,557.73
Future Docket (June 2013 - December 2013)	297.90	149,010.30	261,143.32	410,451.52	988,549.58
14-0568 (June 2012 - May 2013)	556.26	241,188.64	459,329.58	701,074.48	2,096,854.32
13-0527 (June 2011 - May 2012)	828.18	261,512.39	487,908.97	750,249.54	2,146,869.77
13-0527 (January 2007 - May 2011)	732.35	376,639.54	876,642.02	1,254,013.91	15,124,718.29
	<b>15,509.54</b>	<b>1,312,906.46</b>	<b>2,684,604.85</b>	<b>4,013,020.85</b>	<b>21,998,549.69</b>

#### Q. Why is it appropriate and reasonable for AIC to adjust for an accounting error that predates the Docket No. 13-0527 reconciliation year?

A. AIC is proposing that the Company Use error be treated similarly to the Automatic Balancing Adjustment (“ABA”) error from Docket No. 12-0548. In Docket No. 12-0548, AIC identified an issue with the implementation of the energy supply rider work paper calculations. Lines 163 through 172 of my Direct Testimony in that docket go on to explain the issue in greater detail. To summarize the issue, the ABA

107 calculation in the monthly filing work paper was flawed and resulted in incorrect  
108 unamortized balances from March 2007 through February 2011. The cumulative  
109 correction was included within the March 2011 filing during the 2010-2011  
110 reconciliation period. This issue added almost \$35 million to the regulatory liability in  
111 March 2011. The Company Use error greatly contributed to that increase in the  
112 regulatory liability. Now AIC is proposing to include the accounting error corrections for  
113 the January 2007 through May 2011 time periods because failure to correct the  
114 accounting error causes the beginning balance in the 2011-2012 reconciliation period for  
115 Rider PER to be overstated by \$13,870,704 and Rider HSS to be overstated by  
116 \$1,254,014, for a total of \$15,124,718.

117 **Q. What is the customer impact of the proposed remedy?**

118 A. The combined regulatory liabilities for these riders in the general ledger as of  
119 August 2014 indicates that the Rider PER and HSS customers were due \$47,409,022 in  
120 current and future PER and HSS credits to their bills. As my testimony shows, that credit  
121 amount was artificially inflated by the Company Use error. The corrected credit balance  
122 should properly be reduced to \$25,410,472 before including interest. Failure to correct  
123 this balance will distort supply prices, as well as leave the Company in an under-  
124 recovery position.



Table 3

	PER	HSS	Total
<b>Current balances</b>	<b>42,837,006</b>	<b>4,572,016</b>	<b>47,409,022</b>
January 2014 - September 2014	(744,326)	(897,231)	(1,641,558)
June 2013 - December 2013	(578,098)	(410,452)	(988,550)
June 2012 - May 2013	(1,395,780)	(701,074)	(2,096,854)
June 2011 - May 2012	(1,396,620)	(750,250)	(2,146,870)
January 2007 - May 2011	(13,870,704)	(1,254,014)	(15,124,718)
<b>Remaining Amounts Owed to Customers</b>	<b>24,851,477</b>	<b>558,995</b>	<b>25,410,472</b>

Table 4 below provides an estimated bill impact per residential customer for the cumulative proposed Factor A corrections. Failure to correct the Factor A as recommended results in customers receiving, on average, \$27.52 in excess Rider PER and HSS credits for a typical 10,000 kilowatt-hour (“kWh”) customer.

Table 4

"Typical" 10,000 kWh Customer Bill Calculation				"Typical" 10,000 kWh Customer Bill Calculation			
	Rate Zone I	Rate Zone II	Rate Zone III		Rate Zone I	Rate Zone II	Rate Zone III
Delivery Service ^1	\$ 382.39	\$ 418.31	\$ 448.50	Delivery Service ^1	\$ 496.89	\$ 494.58	\$ 550.51
Power Supply (w/o PEA) ^2	\$ 458.88	\$ 450.90	\$ 454.35	Power Supply (w/o PEA) ^2	\$ 460.78	\$ 450.90	\$ 458.38
State Tax	\$ 33.00	\$ 33.00	\$ 33.00	State Tax	\$ 33.00	\$ 33.00	\$ 33.00
Total w/o PEA	\$ 874.27	\$ 902.21	\$ 935.84	Total w/o PEA	\$ 990.67	\$ 978.48	\$ 1,041.90
PEA No Actg. Adj.	\$ (63.51)	\$ (63.51)	\$ (63.51)	PEA No Actg. Adj.	\$ (63.51)	\$ (63.51)	\$ (63.51)
Total w/ Unadj. PEA	\$ 810.76	\$ 838.70	\$ 872.33	Total w/ Unadj. PEA	\$ 927.16	\$ 914.97	\$ 978.39
PEA With Actg. Adj.	\$ (35.99)	\$ (35.99)	\$ (35.99)	PEA With Actg. Adj.	\$ (35.99)	\$ (35.99)	\$ (35.99)
Total w/Adj. PEA	\$ 838.28	\$ 866.22	\$ 899.86	Total w/Adj. PEA	\$ 954.68	\$ 942.49	\$ 1,005.91
Difference in PEA	\$ 27.52	\$ 27.52	\$ 27.52	Difference in PEA	\$ 27.52	\$ 27.52	\$ 27.52
% Diff from Tot w/o PEA	3.1%	3.1%	2.9%	% Diff from Tot w/o PEA	2.8%	2.8%	2.6%
^1: Delivery Service prices effective 1/1/2014 (Present)				^1: Delivery Service price estimates effective 1/1/2015 (Proposed)			
^2: Power Supply includes provision for Transmission Service.				^2: Power Supply includes provision for Transmission Service.			
Slight variation in power supply costs among Rate Zones due to slightly different Supply Cost Adjustment values for each RZ.				Slight variation in power supply costs among Rate Zones due to slightly different Supply Cost Adjustment values for each RZ.			
Summer values effective 6/1/14, non-summer values effective 11/1/14.				Summer values effective 6/1/14, non-summer values effective 11/1/14.			

Even with the proposed Factor A corrections, the average residential customer will still realize a \$35.99 annual PER/HSS reduction due to the corrected credit balance. It is important to note that our objective is to flow back the credit balance by early spring in order to avoid the confusion to the market of substantive supply price credits as customers continue evaluate competitive supply options.

**Q. What is the purpose of Ameren Exhibit 4.06?**

A. Current work papers for Rider PER and HSS rates do not allow for the inclusion of a prior reconciliation year adjustment until an order is received. To hold the Rider PER and HSS customers harmless, AIC proposes adding a line to the Amortization Schedule of each rider to temporarily adjust the amount being amortized until the Factor A is ordered. Once ordered, the Factor A would be included in Line 6 as an adjustment to the unamortized balance and would be removed from the “Expected Factor A amounts” line on the Amortization Schedule. This would allow AIC to smooth the impact to the Rider PER and HSS rates until the Factor A adjustments are ordered.

**Q. How is the Company correcting this issue and planning to prevent this from happening again?**

A. AIC will be correcting the accounting applied to 2014 Company Use invoices in November and December of 2014 in order to correct the general ledger for financial and regulatory reporting purposes. Although this error was a legacy error when these riders were first in place, AIC is adding a control in 2014 that calls for an enhanced review of procedures the next time a new rider is implemented. In addition, an existing control will be expanded to increase the visibility of accounting changes in the customer billing software. Additional preventative measures are also under discussion.

156 **IV. CONCLUSION**

157 **Q. Please summarize the conclusions of your testimony.**

158 A. I recommend that the Order in this proceeding:

- 159 1) Approve Ameren Exhibit 4.02 as the reconciliation for Rider PER and  
160 Rider HSS for AmerenCIPS for the twelve month reconciliation period  
161 ending May 31, 2012, grant a Factor A for the under-recovery in Rider  
162 PER in the amount of \$3,253,261 plus interest, and grant a Factor A for the  
163 under-recovery in Rider HSS in the amount of \$1,561 plus interest;
- 164 2) Approve Ameren Exhibit 4.03 as the reconciliation for Rider PER and  
165 Rider HSS for AmerenCILCO for the twelve month reconciliation period  
166 ending May 31, 2012, grant a Factor A for the under-recovery in Rider  
167 PER in the amount of \$3,816,379 plus interest, and grant a Factor A for the  
168 under-recovery in Rider HSS in the amount of \$638,152 plus interest; and
- 169 3) Approve Ameren Exhibit 4.04 as the reconciliation for Rider PER and  
170 Rider HSS for AmerenIP for the twelve month reconciliation period ending  
171 May 31, 2012, grant a Factor A for the under-recovery in Rider PER in the  
172 amount of \$8,214,181 plus interest, and grant a Factor A for the under-  
173 recovery in Rider HSS in the amount of \$1,364,551 plus interest.

174 **Q. Does this conclude your supplemental direct testimony?**

175 A. Yes, it does.